

Minerals Management Service, Interior

§ 220.014

section. This overhead allowance shall be debited to the NPSL capital account in accordance with § 220.021(b)(2).

(b) For each month after the end of the capital recovery period, an overhead allowance shall be calculated on a percentage basis at the rate of 10 percent of allowable direct and allocable joint costs charged to the NPSL capital account, exclusive of costs specified in paragraph (c) of this section. This overhead allowance shall be debited to the NPSL capital account in accordance with § 220.021(c)(2).

(c) Overhead shall not be charged on the value of:

- (1) Lease rental (§ 220.011(a));
- (2) Contract services (§ 220.011(e));
- (3) Taxes (§ 220.011(i));
- (4) Re-injected hydrocarbons, originally produced from the NPSL tract, that are charged under § 220.011(c); and
- (5) Credits for materiel charged under § 220.011(c) that are salvaged, returned, or used for the benefit of non-NPSL operations.

§ 220.013 Unallowable costs.

The following costs shall not be charged as direct or joint costs to NPSL operations:

- (a) Bonus payments to the United States;
- (b) Interest (except as permitted under § 220.011(g));
- (c) Depreciation, depletion, amortization, or any other charge for capital recovery for materiel charged to the NPSL capital account under § 220.011(c), except as explicitly provided by the allowance for capital recovery calculated according to § 220.020;
- (d) The cost of taking inventory;
- (e) Research and development costs;
- (f) The following legal expenses:
 - (1) The costs of litigation against the Federal government;
 - (2) Fines or penalties levied by any Federal agency;
 - (3) Settlement of claims or other litigation resulting from the lessee's violation of regulatory requirements or negligence; and
 - (4) The cost of the lessee's legal staff or expense of outside attorneys, except as explicitly allowed under § 220.011(f);
- (g) The following employee relocation costs (whether incurred by the employee or the lessee):

- (1) Loss on the sale of a home;
- (2) Purchase price of a home in the new location;
- (3) Payments for employee income taxes incident to reimbursed relocation costs; and
- (4) Any relocation cost in connection with an employee move that is for the primary benefit of the lessee's non-NPSL operations;
- (h) The lessee's own cost of administering employee benefit plans;
 - (i) The cost of acquiring or constructing shore base facilities and real property improvements that are charged to NPSL operations on a rental basis under § 220.011(g);
 - (j) Rentals on any facilities, the investment costs of which have been charged either directly or as allocable joint costs, to the NPSL capital account; and
 - (k) Pre-NPSL expenditures.

§ 220.014 Allocation of joint costs and credits.

(a) Joint costs shall be grouped in cost pools for allocation to NPSL and non-NPSL operations in reasonable proportion to the beneficial or causal relationships which exist between a specific cost pool and the operations. That portion of a joint cost pool that may be allocated to NPSL operations is called an allocable joint cost.

(b) The following allocation principles apply in allocating joint costs:

- (1) *G & G*. *G & G* shall be allocated on a line mile per tract basis.
- (2) *Wages and salaries*. Wages and salaries that are not charged as direct on the basis of time spent on a particular job shall be allocated on a reasonable and equitable basis.
- (3) *Compensated personal absence, payroll taxes and personal expenses*. These items shall be allocated on the same basis as wages and salaries.

(4) *Transportation costs*. Transportation costs for employees that are not charged direct shall be allocated on the same basis as their wages and salaries.

(c) Joint credits shall be allocated in the same manner as joint costs.

(d) When the NPSL is made a part of a unit, the allowed costs shall be charged to the NPSL capital account